



National Mortgage Index

Under embargo until 00:01 hrs on 31.01.18

Brian Murphy | Head of Lending Mortgage Advice Bureau

January 2018

Stamp Duty Change in November has immediate impact on First Time Buyers

Reporting on
December
2017
data

"Although December is normally anticipated by many to be a quiet month in the lead up to the holidays, the entry level of the market saw an unexpected boost at the end of November with the introduction of the Stamp Duty (SDLT) incentive for First Time Buyers by the Chancellor.

At the time, it was suggested that, far from assisting First Time Buyers to get on the ladder, this might actually benefit vendors by giving them the opportunity to 'push' pricing when coming to the market due to first time buyer demand, with RICS predicting that prices at the entry level of the market could rise in response to the new measures. Additional recent commentary from RICS also suggests that outside of London, many Surveyors believe that the savings will have a limited impact on affordability for First Time Buyers. If this is proven to be the case, it's possible to suggest then that it will be sellers who will be the main beneficiaries.

Collating the data after the first month of the scheme being operative, albeit at this early stage, we would suggest that the impact highlights the diverging markets of the UK, with some areas showing noticeable increases in the prices paid by First Time Buyers in December. Of course, whether this reaction is just temporary or the start of a longer-term trend remains to be seen.

- Average first time buyer price increased month on month by 11.25% in the North West, 3.58% in the West Midlands and 2.02% in the East of England in December.
- UK average purchase price in December remained steady at £248,637 which was only marginally higher than November (£248,202).

Mortgage Advice Bureau data is based upon mortgage applications therefore this provides a reliable indicator in terms of consumer activity.

Elsewhere in the market, transaction volumes remained steady in December with the overall total number of properties sold in 2017 at 1,223,400, according to HMRC, which is broadly similar to the overall number of property

transactions in 2016. We also observed a slight increase in the average purchase price in December, which is likely to be the result of the trend of regionalised price growth and activity over the last few months in areas such as the North West, Yorks and Humber, Midlands and South West. All of which are areas which would appear to have benefited from improved transport links and infrastructure investment, offering those seeking an alternative to the Capital and South East the ability to purchase more home for their money.

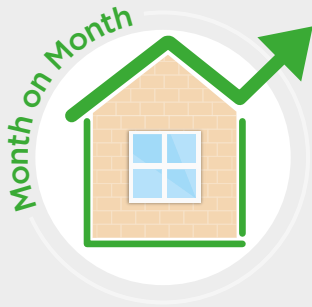
Overall, it's possible to suggest that these factors are reflective of a market which has withstood political and economic uncertainty over the last twelve months; ongoing Brexit negotiations together with the first interest rate rise in 10 years, as well as the implications of Article 24 beginning to realise its full impact on landlords. The latter factor is borne out by our data suggesting that the average purchase price of a Buy To Let property decreased month on month in December, as well as year on year, due to what we would perceive as decreasing landlord demand.

Overall though, sources such as the Nationwide suggest that the average annual rate of growth in 2017 was 2.7%, which is absolutely in line with market forecasts at the beginning of last year which suggested annual house price growth would be between 2% and 4%. Bearing in mind that we've seen far fewer discretionary buyers and sellers in the last twelve months – which arguably has been one of the key factors leading to the low levels of stock in many areas – as well as a discernible decrease in the amount of landlords adding to their portfolios, one might suggest that the level of growth and transaction volumes for 2017 as a whole represents a stable market underpinned by ongoing consumer demand as we start the new year."

* First Time Buyer prices paid data based on Nov 2017 and Dec 2017.

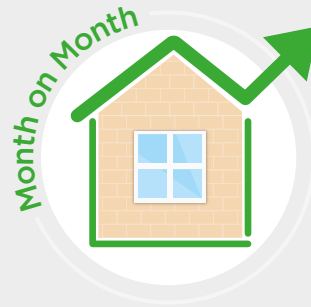


Residential Purchase



Average purchase loan

£173,796 in Dec 17, **0.5%** higher than in Nov 17 (**£172,919**) and increased by **1.4%** on Dec 16 (**£171,360**).



Amount of purchase applicants who opted for fixed rate products

In Dec 17, **97.4%** of borrowers fixed their mortgage, an increase from Nov 17 (**93.7%**) and also Dec 16 (**94.4%**).



Typical LTVs

Remain unchanged month on month at **69%** in Dec 17 and also unchanged year on year from **69%** in Dec 16.



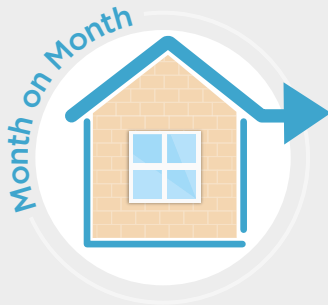
Average applicant age

36 years old in Dec 17, unchanged month on month and unchanged year on year.

45 yrs - Buy-To-Let Purchase in Dec 17

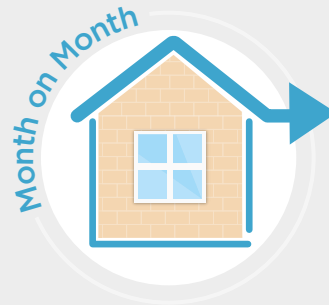
42 yrs - Residential Remortgage in Dec 17

31 yrs - First Time Buyer in Dec 17



Change in the average purchase price

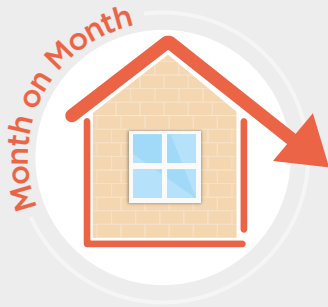
Remained broadly unchanged in Dec 17 at **£248,637** from Nov 17 (**£248,202**) and also Dec 16 (**£248,702**).



Change in average purchase salaries

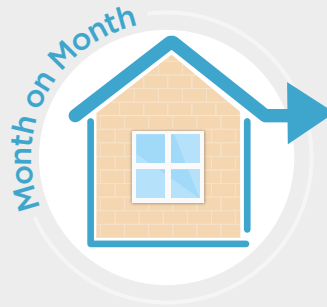
£36,839 in Dec 17, broadly unchanged on Nov 17 (**£36,329**) but slightly increased on Dec 16 (**£35,664**).

Residential Remortgage



Average remortgage loan

£172,795 in Dec 17, **0.92%** lower than in Nov 17 (**£174,402**) and a year on year increase of **1.4%** on Dec 16 (**£170,451**).



Amount of remortgage applicants who opted for fixed rate products

In Dec 17, **96%** of borrowers fixed their mortgage, unchanged month on month and up **6.2%** on Dec 16 (**90.4%**).



Typical LTVs

Remain unchanged month on month at **55%** in Dec 17 and also unchanged year on year.



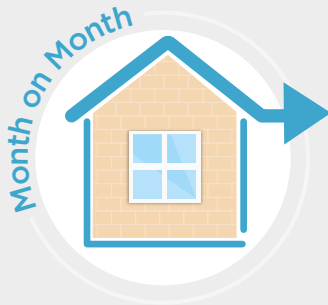
Average applicant age

42 years old in Dec 17, unchanged month on month and down slightly from Dec 16 (**43**).

45 yrs - Buy-To-Let Purchase in Dec 17

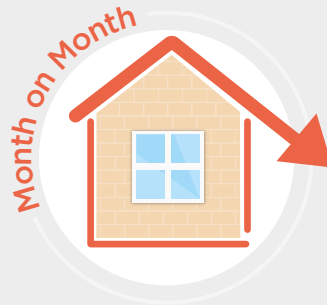
36 yrs - Residential Purchase in Dec 17

31 yrs - First Time Buyer in Dec 17



Change in the average remortgage property value

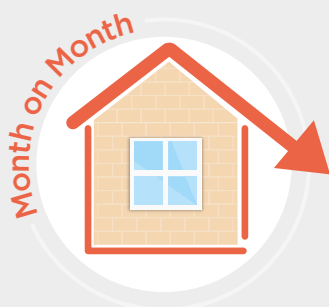
£316,928 in Dec 17, broadly unchanged from Nov 17 (**£316,215**) and increased by **1.9%** on Dec 16 (**£310,870**).



Change in average remortgage salaries

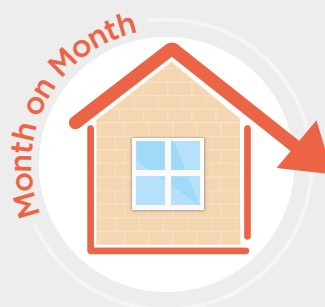
A slight decrease of **1.2%** to **£41,712** in Dec 17 from **£42,231** in Nov 17, and increased by **2.1%** on Dec 16 (**£41,615**).

Buy-To-Let Purchase



Average BTL purchase loan

£126,826 in Dec 17, a decrease of **2.7%** on Nov 17 (**£130,449**) and also **5.17%** lower than in Dec 16 (**£133,751**).



Amount of BTL purchase applicants who opted for fixed rate products

In Dec 17, **97%** of BTL borrowers fixed their mortgage, slightly decreased on Nov 17 (**98%**) but increased on Dec 16 (**92%**).



Typical LTVs

In Dec 17, the average BTL purchase LTV was **69%**, up slightly from Dec 16 (**68%**) and unchanged year on year.



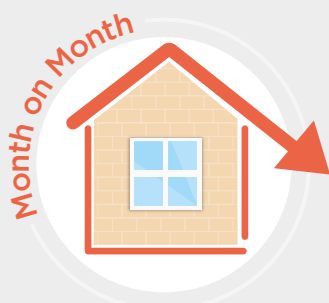
Average applicant age

45 years old in Dec 17, unchanged month on month and unchanged year on year.

42 yrs - Residential Remortgage in Dec 17

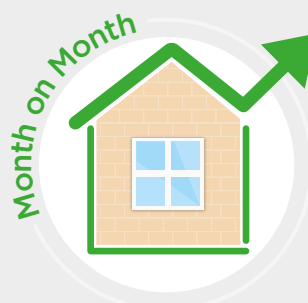
36 yrs - Residential Purchase in Dec 17

31 yrs - First Time Buyer in Dec 17



Change in the average BTL purchase price

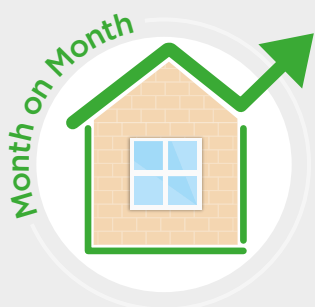
Decreased in Dec 17 to **£185,273** from Nov 17 (**£192,464**) and also decreased from Dec 16 (**£197,311**) an annual drop of **6.10%**.



Change in average BTL purchase salaries

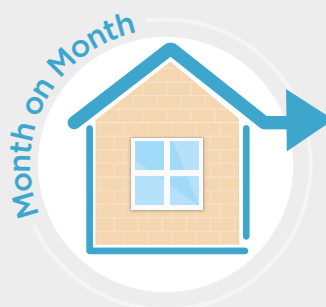
A slight increase in Dec 17 to **£38,225** from **£37,283** in Nov 17, and a decrease of **10.8%** on Dec 16 (**£42,855**).

First Time Buyers



Average FTB purchase loan

Increased in Dec 17 to **£155,561** from **£154,111** in Nov 17, and also increased by **2.02%** from Dec 16 (**£152,407**).



Amount of FTB purchase applicants who opted for fixed rate products

Unchanged month on month in Dec 17 at **98%**.



Typical LTVs

73% in Dec 17, unchanged from Nov 17.



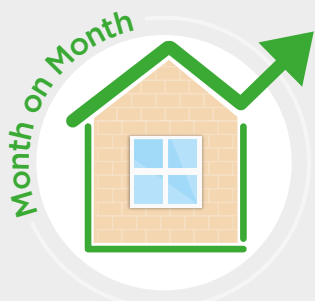
Average applicant age

31 years old in Dec 17, unchanged month on month and unchanged year on year.

45 yrs - Buy-To-let Purchase in Dec 17

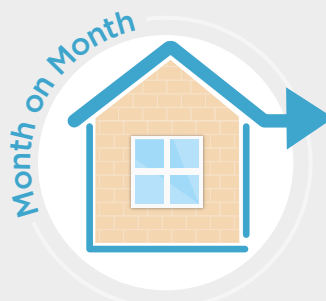
42 yrs - Residential Remortgage in Dec 17

36 yrs - Residential Purchase in Dec 17



Change in the average FTB purchase price

Rose in Dec 17 to **£212,904** from **£211,402** in Nov, an increase of **0.70%**, and also increased year on year by **1.80%** from Dec 16 (**£209,060**).



Change in average FTB purchase salaries

Broadly similar in Dec 17 at **£31,645** to Nov 17 (**£31,006**) and increased on Dec 16 by **2.9%** (**£30,716**).

Regional Purchase Loan Analysis

Reporting on December 2017 data

▲ SCOTLAND

Av. Purchase Loan Dec 17 £156,141
 Av. Purchase Loan Nov 17 £154,315
Monthly Change 1.2%
 Av. Purchase Loan Dec 16 £165,996
Annual Change -5.9%

▲ NORTH WEST

Av. Purchase Loan Dec 17 £138,024
 Av. Purchase Loan Nov 17 £134,570
Monthly Change 2.6%
 Av. Purchase Loan Dec 16 £132,179
Annual Change 4.4%

▼ WEST MIDLANDS

Av. Purchase Loan Dec 17 £176,899
 Av. Purchase Loan Nov 17 £178,544
Monthly Change -0.9%
 Av. Purchase Loan Dec 16 £166,582
Annual Change 6.2%

▼ WALES

Av. Purchase Loan Dec 17 £127,848
 Av. Purchase Loan Nov 17 £130,891
Monthly Change -2.3%
 Av. Purchase Loan Dec 16 £123,712
Annual Change 3.3%

▲ SOUTH WEST

Av. Purchase Loan Dec 17 £164,797
 Av. Purchase Loan Nov 17 £164,187
Monthly Change 0.4%
 Av. Purchase Loan Dec 16 £154,129
Annual Change 6.9%

▲ SOUTH EAST

Av. Purchase Loan Dec 17 £223,845
 Av. Purchase Loan Nov 17 £219,788
Monthly Change 1.8%
 Av. Purchase Loan Dec 16 £212,799
Annual Change 5.2%

▲ NORTH EAST

Av. Purchase Loan Dec 17 £120,691
 Av. Purchase Loan Nov 17 £120,162
Monthly Change 0.4%
 Av. Purchase Loan Dec 16 £123,839
Annual Change -2.5%

▼ YORKS & HUMBER

Av. Purchase Loan Dec 17 £145,161
 Av. Purchase Loan Nov 17 £146,665
Monthly Change -0.3%
 Av. Purchase Loan Dec 16 £138,769
Annual Change 4.6%

▼ EAST MIDLANDS

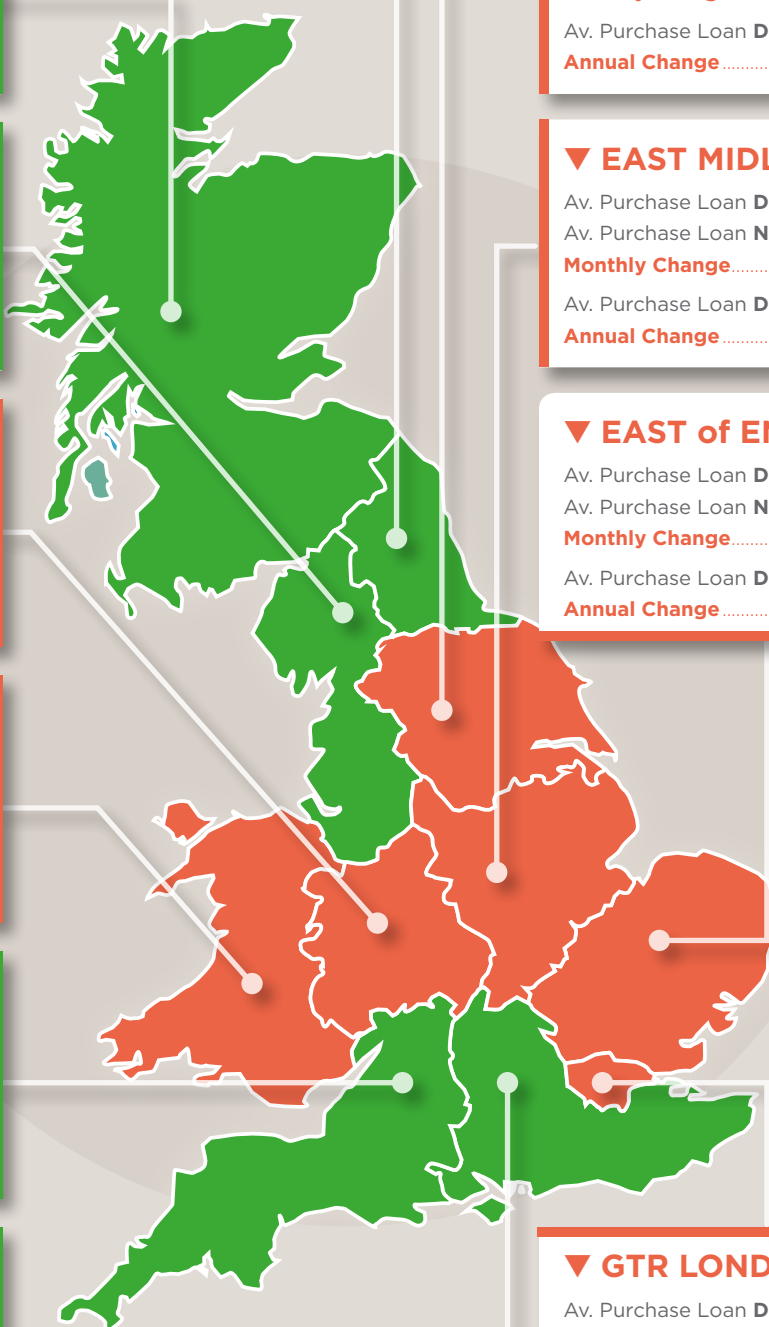
Av. Purchase Loan Dec 17 £140,460
 Av. Purchase Loan Nov 17 £140,888
Monthly Change -0.3%
 Av. Purchase Loan Dec 16 £138,112
Annual Change 1.7%

▼ EAST of ENGLAND

Av. Purchase Loan Dec 17 £137,549
 Av. Purchase Loan Nov 17 £143,656
Monthly Change -4.25%
 Av. Purchase Loan Dec 16 £148,986
Annual Change -7.7%

▼ GTR LONDON

Av. Purchase Loan Dec 17 £323,427
 Av. Purchase Loan Nov 17 £334,475
Monthly Change -3.3%
 Av. Purchase Loan Dec 16 £382,890
Annual Change -15.5%



Regional Market Commentary

Mortgage Advice Bureau advisers from around the UK give their views...

Rachel Geddes - London

"Whilst many people were winding down for the Christmas holidays, we were still very busy in December. The types of clients we assisted last month generally fell into one of two groups; established home owners who wanted to remortgage following the interest rate increase in November, or First Time Buyers who wanted to take advantage of the new Stamp Duty legislation.

Of the clients we spoke to that wanted to remortgage, a significant driver seemed to have been them receiving a letter from their current lender to say that their mortgage payment would be increasing. On the other hand, the First Time Buyers we spoke to were keen to get their mortgages approved so that they could actively start looking as soon as possible, which we believe was driven by a combination of wanting to take advantage of prices cooling slightly in the Capital and surrounding areas over the last few months, but also to get a head start and avoid competition from other First Time Buyers in the new year. As a result, we assisted several buyers between Christmas and New Year who'd been out viewing properties during the holidays and who wanted to start the ball rolling with their first purchase as soon as possible.

In terms of property values, we would suggest that the 'froth has come off the top' at most price points in London, and of course the reduced level of Stamp Duty payable on properties under £500k by First Time Buyers had led to homes around this level seeing downward pressure on price as a result. However, demand is still evident which we believe will translate into continued activity as we start 2018."

David Lewis - Swansea

"The market locally was still active in December, with First Time Buyers especially busy, proving that the market here as a whole is still very much moving. So, whilst we had thought that the last month of the year might be quite quiet, we turned out to be busy all month with applications for mortgages all the way up until the final Friday before Christmas.

We also assisted a significant number of clients who were remortgaging in December, again surprisingly so given the time of year, but we'd suggest that this was as a result of the interest rate rise in November stimulating those people who'd previously not considered their mortgage for some time to actually take action and review their borrowing with a view to ensuring financial stability going forwards as best possible in the light of the potential of further interest rate increases to come. As a consequence, five year fixes were exceptionally popular, continuing the trend from the previous month.

Overall, we would suggest that buyers are still confident in the market locally, and as has been the case for the majority of 2017, there still aren't enough properties on the market which is likely to assist prices to stay at current levels going into the new year."

Continued overleaf

Regional Market Commentary

Mortgage Advice Bureau advisers from around the UK give their views...

Lisa Berrido - Manchester

"Lots of people were exploring their options in December, and we assisted many of our clients who were preparing to move in January and wanted to get themselves organised with a mortgage before Christmas. Together with established home movers, we observed a significant number of First Time Buyers who were taking advice with regards how much they could borrow, driven by the changes to Stamp Duty that were announced in November.

In terms of remortgages, again we saw an unseasonal burst of activity in December, which we believe was driven by clients who had been sat on their current lenders' Standard Variable Rate realising that their next mortgage payment would be increasing and therefore prompted them to take action. Whilst consumer confidence locally remains buoyant, the interest rate rise has meant that clients we're speaking to are perhaps now more aware of the need for longer term financial planning, and as a result the majority of remortgages we arranged last month were for five year fixes.

House prices held strong in December locally and we actually saw some areas increase slightly, which we believe is proof of ongoing buyer demand in the area. Overall, the estate agents we work with are saying that their biggest challenge currently is not having enough properties at all levels to fulfil enquiries, a trend that we believe is likely to continue into the new year."

Aaron Frizzel - Edinburgh

"Last month was a really positive end to the year for us, with purchase and remortgage activity still strong. In terms of the market overall, we've observed that the ongoing scenario around Brexit doesn't appear to have had any impact locally and appetite for property doesn't seem to have been hampered at all, with both transaction volumes maintaining their current levels and property prices still seeing increases in many areas over the past few months.

In particular, we spoke with a lot of clients last month who were actively working on their financial plans before the holidays to ensure that they were ready to start their purchase process in January. Likewise, we also saw a significant number of clients with regards their remortgage in December, who wanted to take the opportunity whilst things were quieter at work to research the market in order to lock into a competitive mortgage deal. As a result, we ticked over nicely with few signs of a 'pre-Christmas slow-down' and finished 2017 in a very optimistic mood for the year ahead."



Contact Details

The monthly National Mortgage Index has been created by Mortgage Advice Bureau to provide the most comprehensive overview of the UK mortgage market by a mortgage broker.

For more information contact:

Kate Hall at Mortgage Advice Bureau

M 07399 464640 **T** 01332 200020 Extn 2123

E kate.hall@mab.org.uk **W** www.mortgageadvicebureau.com

Breakdown of regions

North East: Northumberland | Cumbria | Tyne & Wear | Cleveland

Yorkshire & Humber: North, West and South Yorkshire | Humberside

North West: Lancashire | Greater Manchester | Merseyside and Cheshire

East Midlands: Derbyshire | Nottingham | Lincolnshire | Leicestershire

West Midlands: Shropshire | Stafford | West Midlands | Warwickshire | Hereford & Worcester

East of England: Norfolk | Suffolk | Cambs

South East: Essex | Herts | Beds | Bucks | Oxon | Berks | Surrey | Hants | West & East Sussex | Kent

South West: Glos | Avon | Wilts | Somerset | Devon | Dorset | Cornwall

Wales: All

Greater London: All

Scotland: All

About Mortgage Advice Bureau

The National Mortgage Index is based on monthly applications data compiled from over 1000 advisers across the UK. All figures quoted are three month averages unless otherwise specified.

Mortgage Advice Bureau is a mortgage network and the UK's best-known broker brand, winning over 70 national awards for the quality of its advice and service in each of the last five years.

It has over 1000 advisers offering expert mortgage advice on a local, regional and national level to UK consumers. Mortgage Advice Bureau handles over £12bn of loans annually. It was the first – and is currently the only – mortgage intermediary to have floated on the London Stock Exchange, having joined the Alternative Investment Market (AIM) in November 2014.

¹ Based on Opinium Research, Summer 2017.

